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ChantreyVellacottDFK LLP

BUGLER DEVELOPMENTS LIMITED

Financial Statements
31 March 2006

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ChantreyVellacott DFK LLP

BUGLER DEVELOPMENTS LIMITED

Financial statements for the year ended 31 March 2006

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BUGLER DEVELOPMENTS LIMITED

Company information

Directors

T P Bugler (Chairman)
A T Bugler
D P Bugler
P Hill
M J King
M Seaton

Secretary

E Loughlin

Registered office

1 Norfolk Road
Rickmansworth
Hertfordshire
WD3 1JY

Registered number

1577251

Auditors

Chantrey Vellacott DFK LLP
Gresham House
53 Clarendon Road
Watford
Herts
WD17 1LR

Bankers

Allied Irish Bank plc
629-635 Holloway Road
London
N19 5SU

Solicitors

Matthew Arnold & Baldwin
21 Station Road
Watford
Herts
WD17 1HT

BUGLER DEVELOPMENTS LIMITED

Directors' report for the year ended 31 March 2006

The directors present their report and the financial statements of the company for the year ended 31 March 2006.

Review of the business

The principal activity is as a design and build contractor for housing associations and various other clients.

The results for the year and the financial position at the year end were considered satisfactory by the directors who are pleased to report that the objective for the year to increase turnover and profit was achieved. The company was also successful in its aim to broaden its client base, with a view to maintaining a steady progress for the foreseeable future. The directors are confident that the results for the coming year will confirm the success of the company policy of continued managed progress.

The company is fully aware that a fully trained, motivated and committed workforce is essential to its objective of maintaining a high quality service to its clients, delivered on time, with efficient backup support. In this respect it has, during the year, adhered to its training plan of further training employees in safety, technical knowledge and other relevant areas relating to its activities.

All aspects of health and safety are of upmost importance to the company's operations. It will continue to ensure that proper compliance with Health and Safety Regulations is met by any other party working with the company and to provide resources necessary to achieve this.

Results and dividends

The results for the year ended 31 March 2006 are shown in the profit and loss account on page 6. The profit for the year after taxation was £649,194.

An interim dividend of £300,000 was paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

T P Bugler
A T Bugler
D P Bugler
P Hill
M J King (Appointed 3 January 2006)
M Seaton

Directors' interests in shares

The directors' have no interests in the shares of the company.

The interests of T P Bugler, D P Bugler and A T Bugler in Bugler Holdings Limited are disclosed in the financial statements of that company. None of the directors had any interest in any other group company.

Directors' report for the year ended 31 March 2006 (continued)

Financial risk management

The directors constantly review the risks associated with any contracts the company enters into. The risk potential involved with funding requirement of its operations is also managed, though generally requirements are met from retained profits.

Procedures are in place to monitor and eliminate internal financial loss or risk.

Company employment policies

The company has policies in place relating to equal opportunities, safety, quality, environmental, community and other matters required by legislation and by the responsible carrying out of its operations. Full compliance with these policies by employees and other parties working for or involved with the company is monitored.

Charitable donations	**2006**	**2005**
	£	**£**
During the year the company made the following payments:		
Charitable donations	3,426	2,899

Creditor payment policy

It is the company's policy to enter into contracts with suppliers and subcontractors under appropriate terms and conditions, which are normally standard, but may vary according to circumstances. The company abides by the payment terms of the contracts. At 31 March 2006 trade creditors represented 45 days of purchases.

Auditors

A resolution to reappoint Chantrey Vellacott DFK LLP as auditors of the company will be proposed at the Annual General Meeting.

BUGLER DEVELOPMENTS LIMITED

Directors' report for the year ended 31 March 2006 (continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Director has taken all steps that they ought to have taken as directors in order to make themsleves aware of any information relevant to the audit and to ensure that the auditors are aware of any relevant audit information. As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Signed on behalf of the Board

E Loughlin

E LOUGHLIN
Secretary

Approved by the Board on 7 September 2006

ChantreyVellacott DFK LLP

BUGLER DEVELOPMENTS LIMITED

Independent auditors' report to the shareholders of Bugler Developments Limited

We have audited the financial statements of Bugler Developments Limited for the year ended 31 March 2006 which are set out on pages 6 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Chantrey Vellacott DFK LLP

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors

WATFORD
28.9.06

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	2	**28,921,593**	18,837,572
Cost of sales		**25,752,974**	16,653,318
Gross profit		**3,168,619**	2,184,254
Administrative expenses		**2,254,451**	1,650,721
Operating profit		**914,168**	533,533
Interest receivable and similar income	3	**42,985**	20,392
Interest payable and similar charges	4	**(389)**	(1,019)
Profit on ordinary activities before taxation	5	**956,764**	552,906
Tax on profit on ordinary activities	8	**307,570**	184,314
Profit for the year	15	**649,194**	368,592

None of the company's activities was acquired or discontinued during the above two financial years.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profits shown above and their historical cost equivalents.

The notes on pages 9 to 17 form part of these financial statements.

BUGLER DEVELOPMENTS LIMITED

Balance sheet at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	10	**161,247**	80,502
Current assets			
Stocks	11	**36,731**	2,086,463
Debtors	12	**8,057,103**	5,303,615
Cash at bank and in hand		**2,696,885**	1,279,787
		10,790,719	8,669,865
Creditors: amounts falling due within one year	13	**(8,770,117)**	(6,917,712)
Net current assets		**2,020,602**	1,752,153
Total assets less current liabilities		**2,181,849**	1,832,655
Capital and reserves			
Called up share capital	14	**50,100**	50,100
Profit and loss account	15	**2,131,749**	1,782,555
Shareholders' funds	16	**2,181,849**	1,832,655

Approved by the Board on 7 September 2006 and signed on its behalf.

TP Bugler

T P BUGLER - Director

D P BUGLER - Director

The notes on pages 9 to 17 form part of these financial statements.

Cash flow statement for the year 31 March 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	17a	2,118,810	994,774
Returns on investments and servicing of finance			
Interest received		42,985	20,392
Interest paid		(389)	(1,019)
Net cash inflow from returns on investments and servicing of finance		42,596	19,373
Taxation		(313,689)	(97,871)
Capital expenditure			
Payments to acquire tangible assets		(139,905)	(52,260)
Receipts from sales of tangible assets		14,200	8,851
Net cash outflow for capital expenditure		(125,705)	(43,409)
Equity dividends paid		(300,000)	-
Net cash inflow before management of liquid resources and financing		1,422,012	872,867
Financing			
Capital element of hire purchase contracts		(4,914)	(6,261)
Net cash outflow from financing		(4,914)	(6,261)
Increase in cash in the year	17b,c	1,417,098	866,606

The notes on pages 9 to 17 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2006

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

b) Depreciation of tangible fixed assets

Depreciation is not charged on expenditure on assets not yet in use. Depreciation on other tangible fixed assets is charged so as to write off their full costs less estimated residual value over their expected useful lives as follows:

Leasehold improvements	over the period of the lease
Plant and machinery	over 10 years
Computer and office equipment	over 3, 4 and 10 years
Motor vehicles	over 2 years and 4 years

c) Contracts and work in progress

Work in progress is valued at the lower of cost and net realisable value and reflects the accumulation of development costs prior to the start of construction.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

d) Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

e) Hire purchase and lease transactions

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements less interest not yet due are included in creditors. Interest on such agreements is charged to profit and loss account over the term of each agreement and approximates a constant proportion of the balance of capital repayments outstanding.

Rentals under operating leases are charged to the profit and loss account as they fall due.

f) Pensions

The company provides a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable.

Notes to the financial statements for the year ended 31 March 2006 (continued)

2 Turnover

Turnover represents the amounts receivable for goods and services excluding VAT arising wholly within the United Kingdom.

3 Interest receivable and similar income

	2006	2005
	£	£
Bank interest	**42,985**	20,392

4 Interest payable and similar charges

	2006	2005
	£	£
On obligations under hire purchase agreements	-	320
Other	**389**	699
	389	1,019

5 Profit on ordinary activities before taxation

	2006	2005
	£	£
This is stated after charging:		
Depreciation	**44,837**	32,229
Loss on disposal of tangible fixed assets	**123**	-
Hire of plant and machinery	**373,324**	193,538
Operating lease rentals:		
Land and buildings	**56,672**	56,672
Directors' emoluments (note 6)	**874,689**	655,334
Auditors' remuneration:		
In respect of audit services	**8,400**	9,100
and after crediting:		
Profit on disposal of tangible fixed assets	-	88

Notes to the financial statements for the year ended 31 March 2006 (continued)

6 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	**862,689**	643,334
Company pension contributions to money purchase schemes	**12,000**	12,000
	874,689	655,334

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2005 - 4).

Emoluments disclosed above include the following amounts paid to the highest paid director:	2006 £	2005 £
Emoluments for qualifying services	**182,345**	177,889
Company pension contributions to money purchase schemes	**3,000**	3,000

7 Employee information

	2006 £	2005 £
Staff costs:		
Wages and salaries	**2,908,103**	2,219,285
Social security costs	**339,213**	255,900
Other pension costs	**25,128**	21,753
	3,272,444	2,496,938

The average monthly number of persons employed during the year, including executive directors, was made up as follows:	Number	Number
Office and management	**19**	18
Site workers	**34**	29
	53	47

Notes to the financial statements for the year ended 31 March 2006 (continued)

8 Taxation

	2006 £	2005 £
Domestic current year tax		
U.K. corporation tax	307,420	184,314
Adjustment for prior years	150	-
Current tax charge	307,570	184,314

	2006 £	2005 £
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	956,764	552,906
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	287,029	165,872
Effects of:		
Non deductible expenses	20,039	19,467
Depreciation add back	13,488	9,643
Capital allowances	(13,136)	(10,668)
Adjustments to previous periods	150	-
	20,541	18,442
Current tax charge	307,570	184,314

9 Dividends

	2006 £	2005 £
On equity shares:		
Interim of £5.99 (2005 - £Nil) per ordinary share paid	300,000	-

Notes to the financial statements for the year ended 31 March 2006 (continued)

10 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Computer and office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At 1 April 2005	15,896	3,920	81,776	70,750	172,342
Additions	18,934	358	31,363	89,250	139,905
Disposals	-	-	-	(37,450)	(37,450)
At 31 March 2006	**34,830**	**4,278**	**113,139**	**122,550**	**274,797**
Depreciation:					
At 1 April 2005	4,686	3,429	59,470	24,255	91,840
Provision for the year	3,483	139	19,274	21,941	44,837
Adjustments for disposals	-	-	-	(23,127)	(23,127)
At 31 March 2006	**8,169**	**3,568**	**78,744**	**23,069**	**113,550**
Net book value:					
At 31 March 2006	**26,661**	**710**	**34,395**	**99,481**	**161,247**
At 31 March 2005	11,210	491	22,306	46,495	80,502

11 Stocks

	2006	2005
	£	£
Work in progress	**36,731**	2,086,463

12 Debtors

	2006	2005
	£	£
Trade debtors	**2,386,798**	1,273,488
Amounts recoverable on long term contracts	**1,876,653**	751,545
Amounts owed by parent company	**200,000**	-
Amounts owed by group undertakings	**3,391,065**	3,014,818
Other debtors	**171,282**	226,199
Prepayments and accrued income	**31,305**	37,565
	8,057,103	5,303,615

Other debtors include £12,053 (2005 - £122,228) due from DKA Investments Limited, a company in which three of the company's directors, T P Bugler, A T Bugler and D P Bugler, are directors and shareholders. During the year DKA Investments Limited charged the company rent of £56,672 (2005 - £56,672). The company raised management charges of £2,350 (2005 - £10,000).

Notes to the financial statements for the year ended 31 March 2006 (continued)

13 Creditors: amounts falling due within one year

	2006 £	2005 £
Obligations under finance lease and hire purchase agreements	-	4,914
Trade creditors	**2,733,806**	1,433,606
Corporation tax	**178,195**	184,314
Other taxes and social security costs	**345,196**	144,211
Director's current account	**1,487**	2,427
Other creditors	**1,936**	2,000,000
Accruals and deferred income	**5,509,497**	3,148,240
	8,770,117	6,917,712

Director's current account represents a loan from T P Bugler amounting to £1,487 (2005 - £2,427) which has no fixed repayment and is unsecured. No interest was charged on the loan during the year.

Obligations under finance leases and hire purchase agreements are payable:		
In one year or less	-	5,367
Finance charges and interest allocated to future accounting periods	-	(453)
	-	4,914

14 Called up share capital

	2006 £	2005 £
Authorised		
Equity shares:		
100,000 Ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
Equity shares:		
50,100 Ordinary shares of £1 each	**50,100**	50,100

15 Reserves

	Profit and loss account £
At 1 April 2005	**1,782,555**
Profit for the year	**649,194**
Dividends paid	**(300,000)**
At 31 March 2006	**2,131,749**

Notes to the financial statements for the year ended 31 March 2006 (continued)

16 Reconciliation of movement on shareholders' funds

	2006 £	2005 £
Profit for the financial year	**649,194**	368,592
Dividends	**(300,000)**	-
Net addition to shareholders' funds	**349,194**	368,592
Opening shareholders' funds	**1,832,655**	1,464,063
Closing shareholders' funds	**2,181,849**	1,832,655

Shareholders' funds are fully attributable to equity interests.

Notes to the financial statements for the year ended 31 March 2006 (continued)

17 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005
	£	£
Operating profit	914,168	533,533
Depreciation of tangible assets	44,837	32,229
Loss/(profit) on disposal of tangible assets	123	(88)
Decrease/(increase) in stocks	2,049,732	(2,085,836)
Increase in debtors	(2,753,488)	(657,605)
Increase in creditors within one year	1,863,438	3,172,541
Net cash inflow from operating activities	2,118,810	994,774

b) Analysis of changes in net funds

	1 April 2005	Cash flow	31 March 2006
	£	£	£
Cash at bank and in hand	1,279,787	1,417,098	2,696,885
Finance leases	(4,914)	4,914	-
Net funds	1,274,873	1,422,012	2,696,885

c) Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase in cash in the year	1,417,098	866,606
Cash outflow from decrease in debt and lease financing	4,914	6,261
Change in net funds resulting from cash flows	1,422,012	872,867
Opening net funds	1,274,873	402,006
Closing net funds	2,696,885	1,274,873

18 Contingent liabilities

There is a cross-guarantee in place in respect of bank facilities of group companies up to £4,000,000. At 31 March 2006 bank loans of £2,735,950 (2005 - £3,455,868) of a fellow subsidiary company, Bugler Homes Limited, were secured under the guarantee.

Notes to the financial statements for the year ended 31 March 2006 (continued)

19 Lease commitments

The company's commitments for rental payments under operating leases payable during the year to 31 March 2007 are as follows:

	Land and buildings £
Leases expiring:	
Between two and five years	**56,672**

20 Control

The ultimate parent company is Bugler Holdings Limited, which is controlled by members of the Bugler family, though no one individual has overall control.

The company's financial statements are consolidated with those of its parent company and copies of the consolidated financial statements may be obtained from the company's registered office.

21 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning transactions with other group companies as the company is included in the consolidated financial statements of Bugler Holdings Limited.